

## 6.7. STAKEHOLDER ENGAGEMENT (COMMUNICATION CAPITAL)

### 6.7.1. STAKEHOLDER DESCRIPTION

Rosatom State Corporation considers stakeholder engagement as one of the fundamental factors of sustainable development and replicates this practice to the industry' enterprises both through adoption of local regulations and ongoing training of personnel at the key enterprises. OJSC Atomenergomash, together with enterprises of the Division, is consistently developing

---

<sup>1</sup> Hereinafter, means the position number in the Risk Map.



**1** OJSC AFRIKANTOV OKBM IN THE INTERFAX-ERA  
RATING

the productive cooperation with stakeholders, including implementation of the following tasks:

- identification of factors affecting the Company's activities and the factors subject to its influence;
- analysis of the impact by stakeholders on various aspects of the Company's activities;
- analysis of the Company's impact on stakeholders;
- identification of expectations and aspirations of stakeholders;
- responding to the expectations of stakeholders and searching for a consensus on issues.

In order to improve the engagement efficiency, stakeholders should be prioritized to concentrate effort, first of all, on the most “problematic” stakeholders, i.e. those whose interests may be violated by the Company.

GRI 4.25

The process of identifying and prioritizing stakeholders is based on interviewing executives of the Company, on a comparative analysis of international, national and industry practices as well as a review of international standards. A map of stakeholders is annually submitted for voting within the framework of public dialogues.

In the reporting year, the format of the stakeholder map was revised. This was, first of all, due to the fact that the dependence or influence of the Company is not a direct source of a problem, i.e. these may not lead to a confrontation of interests. In this regard, the third parameter was introduced for the purposes of assessment — the attitude of a stakeholder to the Company and its activities (from full support to confrontation).

### STAKEHOLDER MAP

GRI 4.24

#### STAKEHOLDERS

- 1 Shareholders
- 2 SACS
- 3 Customers
- 4 Investors
- 5 Competitors
- 6 Scientific community
- 7 Educational institutions
- 8 Public organizations and NPOs
- 9 Authorities
- 10 Partners
- 11 Personnel
- 12 Suppliers
- 13 Trade union
- 14 Media
- 15 Environmental community
- 16 Expert community

#### ATTITUDE TOWARDS THE COMPANY



- Confrontation
- Disapproval
- Neutral
- Acceptance
- Support



During preparation of the Report, following the tradition, four public dialogues with stakeholders were held:

1. On November 28, 2013, representatives of the Company submitted the results of the 2012/2013 reporting campaign and presented the 2013 Report Concept.

2. On March 12, 2014, two dialogues were held regarding the central topics of the Report: “Creating a sustainable development strategy of OJSC Atomenergomash until 2020” and “Building Comprehensive Risk Management System at OJSC Atomenergomash”.

3. On April 22, 2014, public consultations were held to present the draft 2013 Report.

According to the results of the intensive discussions, we can say that the goals of the public dialogues were achieved: understanding was reached between OJSC Atomenergomash and stakeholders on the issues discussed, which was reflected both in the Integrated Annual Report of OJSC Atomenergomash for 2013 and in the Company’s practice.



## 6.7.2. FOREIGN PARTNER ENGAGEMENT

### Doosan Power Systems

In 2011, a Memorandum with Doosan Power Systems (Korea) on cooperation in Russia as part of the construction of coal-fired thermal power plants with 660 MW power units running on supercritical steam parameters was signed. Scope of work under such projects involves supply of steam boilers, steam turbine generators as well as modernization and maintenance of equipment.

During 2011–2012, appropriate technical and commercial proposals were prepared for customers and areas of further activities were discussed, which will depend on the terms and conditions for implementation of projects covering thermal power plants running on supercritical steam parameters in Russia.

### ALSTOM

LLC ALSTOM Atomenergomash (a joint venture with ALSTOM, France), jointly with the owners, implements projects for delivery of:

- Diesel generator units for Unit No.1 of the Leningrad NPP-2. LLC ALSTOM Atomenergomash performs engineering work and provides project management. The sub-supplier of the equipment is ALSTOM.
- Equipment for the turbine plant of the Baltic NPP (units 1 and 2). LLC ALSTOM Atomenergomash performs engineering work envisaged by the project and provides overall project management. The main sub-suppliers are ALSTOM and OJSC Atomenergomash.

The plans include participation in tenders for supply of equipment for Akkuyu NPP (Turkey).

Currently, it was decided to choose the production site at Atomash plant in Volgograd to deploy its own production by LLC ALSTOM Atomenergomash. It is planned to use the existing production facilities and infrastructure of the site after reconstruction of the building and providing new process equipment for the production. The production capacity will be commissioned in stages with extension of the turbine plant components range at each stage.



1 DIALOGUE INFORMATION

2 DIALOGUE PRACTICES



3 LICENSE AGREEMENT

“ I am confident that the production capacity in Volgodonsk and expertise of Alstom in the nuclear power engineering backed by the commitment of our shareholders and staff will allow LLC ALSTOM Atomenergomash to become a significant player in the market ”



Ilya Vergizaev,  
CEO of OJSC Alstom Atomenergomash

**NEM Energy b.v.**

A framework agreement has been signed to continue cooperation between OJSC ZiO-Podolsk, OJSC ZIOMAR EC and a leading European company NEM Energy b.v. (Netherlands) in the field of engineering of drum heat recovery steam generators with gas turbines with a capacity exceeding 20 MW. The new agreement is valid until 2019.

“ Cooperation with NEM Energy b.v. allowed OJSC ZiO-Podolsk to be among the three leaders in the segment of powerful 400 MW+ boiler production in Russia. I am confident that the use of foreign advanced technologies and the exchange of experience in implementation of joint projects will enable us to offer the most competitive products in the market ”

Igor Kotov,  
CEO of CJSC ZiO-Podolsk Group and OJSC ZIOMAR EC

Pursuant to the agreement, the projects for production of boilers for CCGTP-190 at Novomoskovsk TPP, CCGTP-420 at Yuzhnouralsk TPP-2 and CCGTP-400 at Nizhnevartovsk TPP have been implemented and active work is under way to form a book of relevant orders.

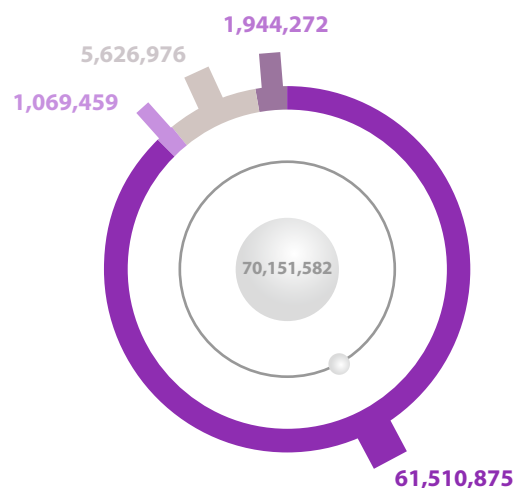
**1 PRODUCTION CAPACITY COMMISSIONING STAGES**

**6.7.3. COOPERATION WITH CUSTOMERS**

For the CEO of OJSC Atomenergomash, KPIs for product sales volume were set. They directly depend on the completion of KPIs by CEOs of SASC and managers of the product areas of OJSC Atomenergomash.



**STRUCTURE OF CONTRACTS CONCLUDED IN 2013 ON MARKET SEGMENTS**



- Nuclear power
- Gas and petrochemical industry
- Other branches
- Thermal power
- Total



**2 REGULATORY FRAMEWORK**

**3 CONTRACTING DYNAMICS IN 2010–2013 WITH BREAKDOWN BY ACCOUNTING ITEMS, THOUSAND RUBLES**

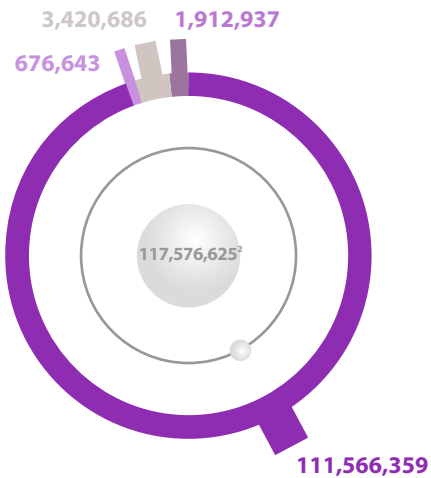
**4 SECTORAL AND PRODUCT STRUCTURE OF THE ORDER BOOK AS OF DECEMBER 31, 2013 WITH BREAKDOWN BY ACCOUNTING ITEMS**

“ The order book of OJSC Atomenergomash in 2013 has grown by more than 50% as compared with the previous year. No other divisions of the nuclear industry grow at this rate ”

Sergei Kirienko,  
Chief Executive Officer of Rosatom State Corporation

AEM  
7.1.1

SECTORAL STRUCTURE OF THE ORDER BOOK AS OF DECEMBER 31, 2013, THOUSAND RUBLES<sup>1</sup>

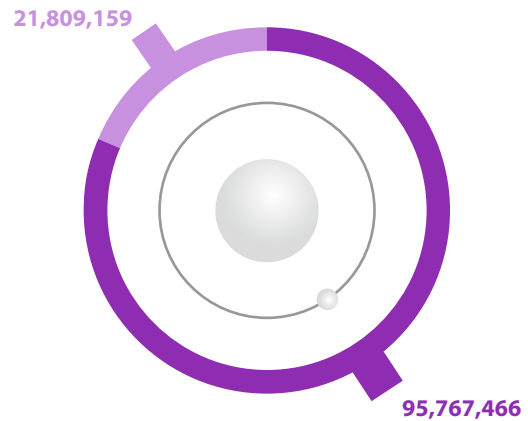


- Nuclear power
- Gas and petrochemical industry
- Other branches
- Thermal power
- Total

<sup>1</sup> Consolidated order book is a valuation of sales volume for subsequent periods under commercial contracts valid as of December 31, 2013.

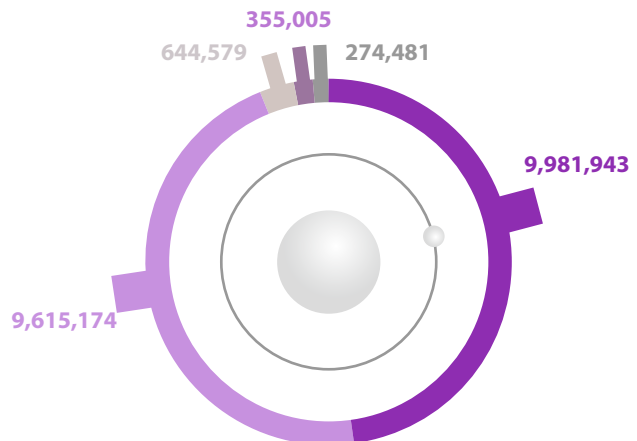
<sup>2</sup> The order book is consolidated by the financial information consolidation profile. The overall order book of all enterprises of the Division is about 150 billion rubles.

GEOGRAPHIC STRUCTURE OF THE ORDER BOOK AS OF DECEMBER 31, 2013, THOUSAND RUBLES



- Russian Federation
- Foreign countries

ORDER BOOK FOR TOP 5 FOREIGN COUNTRIES, THOUSAND RUBLES



- China
- Belarus
- Ukraine
- Bulgaria
- India

#### 6.7.4. COOPERATION WITH EDUCATIONAL INSTITUTIONS

AEM  
7.4.1

In order to control the university training programs and consider the needs of the Division to a maximum, active work is conducted to integrate vocational education and production. This is the objective for creating and opening departments and branches of departments of leading Russian technical universities (National Research Nuclear University MEPhI, MSTU STANKIN, Bauman Moscow State Technical University, Nizhny Novgorod State Technical University n.a. R.E. Alekseev, Ural Federal University named after Yeltsin) in our facilities as well as organizing excursions, training and internship for students. The Division's enterprises annually train more than 700 senior students of secondary and higher vocational education; the best students are offered employment.

The need for young specialists requires ongoing cooperation with leading universities which train highly specialized professionals. In order to implement such cooperation, OJSC Atomenergomash concluded the following Agreements:

- Strategic Partnership Agreement between OJSC Atomenergomash and the National Research Nuclear University MEPhI No.249/60/2011 dated 06/02/2011)
- Strategic Partnership Agreement between OJSC Atomenergomash and Bauman Moscow State Technical University No.9/60/2013 dated 02/05/2013)

“ In the context of ongoing technological and innovative development of the Division's enterprises we are interested in a steady inflow of new qualified specialists with serious professional skills. I am sure that our cooperation with Bauman Moscow State Technical University, a leading industry university, will ensure implementation of long-term development plans of OJSC Atomenergomash thought attracting new talented young graduates ”

Ksenia Sukhotina,  
Deputy CEO — Director, Human Resources and  
Organizational Development



For this area, a KPI “Number of university students trained at premises of the Division's enterprises” was provided.

#### EXPENDITURES FOR COOPERATION WITH UNIVERSITIES, THOUSAND RUBLES

AEM  
7.4.2

Company	2011	2012	2013	Forecast for 2014
CJSC AEM Technologies	–	–	265	300
OJSC OKB Hidropress	–	–	318.6	712.6
OJSC ZiO-Podolsk	–	1,018.75	846.25	953
OJSC Afrikan-tov OKBM	–	–	–	100
OJSC PZM	604	1,525	293	–
OJSC TsKBM	–	1,749	52,750	60,000
OJSC Energo-mashspetsstal	256	413.6	431.3	407.5

▶  
P. 79

▶  
P. 64

#### 6.7.5. COOPERATION WITH SUPPLIERS

OJSC Atomenergomash is an organization covered by the Federal Law “On procurement of goods, works and services by certain types of legal entities” No. 223-FZ dated from 07/18/2011. Pursuant to the provisions of the law, OJSC Atomenergomash adopted the Procurement Provision and published it on the official website of the Russian Federation on the Internet designed for posting information about placing orders for supply of goods, performance of work and services at <http://zakupki.gov.ru>. As OJSC Atomenergomash is included in the Rosatom State Corporation perimeter, the Unified industry standard for procurements of Rosatom State Corporation approved by the Supervisory Board of Rosatom State Corporation applies as the Procurement Provision.



1 AGREEMENT WITH BAUMAN MOSCOW STATE  
TECHNICAL UNIVERSITY

2 PRACTICE OF PROCUREMENT PROCEDURES





Efficiency of the procurement activities of the Division's enterprises is assessed using industry-wide methods.

GRI  
4.12

The Division's enterprises cooperate with many suppliers of various products and services. Among the procurement effected on the open market, three major groups of products can be distinguished:

GRI  
4.13

- Tubular products: about 3.5 billion rubles including VAT;
- Forgings, castings and work pieces: over 1.2 billion rubles including VAT;
- Process equipment (machines, etc.) for programs of modernization of enterprise modernization programs: over 1.3 billion rubles including VAT.

It should be noted that the major part of the so-called supply chain is within the Division. Of the total procurement by enterprises of the Division in 2013 (over 43.8 billion rubles

including VAT) almost one third (about 13.6 billion rubles including VAT) accounted for procurement between the Division's enterprises as part of production cooperation.

The policy of the state and industry in the field of procurement aimed at forming market-based prices, development of fair competition and prevention of corruption, does not allow the approaches to supply chain management adopted abroad. For each separate quantity of products or services, suppliers are selected each time through competitive procurement procedures (except for cases specified in the Standard). Accordingly, no long-term relations are established with the suppliers. In addition, there are no specific requirements specified for the participants of the procurement procedures that would not be justified by the needs of the customer and which could entail restriction of the number of participants in the procurement and violation of the antimonopoly laws of the Russian Federation.



## KEY PERFORMANCE INDICATORS FOR PROCUREMENT ACTIVITIES

Indicator	Assessment procedure	Completion in 2013
Average period for filing a procurement application before the decision on a supplier is finalized <sup>1</sup>	Assessed based on the various procurement procedure deadlines specified in the method	Completed
Share of public procurement procedures	Assessed using a special method exclusive of single source procurement, based on the Procurement Provision	Based on results of 2013, the indicator was 94% against the standard 93%
Share of competitive procurement procedures for which complaints about the procurement organizer/customer actions were recognized as substantiated	Assessed as a percentage of open competitive procedures for which complaints were submitted and recognized as substantiated/partially substantiated	In respect of the 2,933 open competitive procedures held, 13 complaints were submitted and recognized as substantiated/partially substantiated (0.4%), which is below figures specified in the industry guidelines (0.7%)

<sup>1</sup> First introduced in 2013.







Each participant of the bidding procedure is checked for compliance with the laws of the Russian Federation by the Security Department of the Company.



OJSC Atomenergomash participates in the industry-wide forums of Russian (forum ATOMEX-2013, December 2–4, 2013, Moscow) and foreign (forum ATOMEX Europe 2013, September 8–9, 2013 Brno, Czech Republic) suppliers, and organizes its own forum of suppliers (forum ATOMEX Region Atomenergomash, November 18, 2013, Volgodonsk). During the forums, suppliers exchange information regarding changes in the regulatory documentation covering the procurement system, needs of the nuclear industry enterprises for products.



“ The Nuclear Industry Suppliers’ Forum in Volgodonsk is the first experience of OJSC Atomenergomash in such activities. The interest shown to the Forum by suppliers not only from Rostov region, but from other regions of Russia as well, demonstrates that the event may become an annual industry platform for effective dialogue of suppliers and enterprises of the Division ”

Denis Baturin,  
Head of Procurement, OJSC Atomenergomash

**6.7.6. COOPERATION WITH PUBLIC ORGANIZATIONS AND NPOS**

OJSC Atomenergomash is actively involved in intra-industry cooperation projects and supports initiatives aimed at developing and strengthening the positions of the national industry on both domestic and foreign markets. The Company devotes special attention to participation in non-profit industry-specific and business organizations in addition to conferences and forums with the goal of discussing, developing and adopting major industry documents and decisions approved by key players in the power engineering sector.

OJSC Atomenergomash actively cooperates with the Union of Employers in Nuclear Industry, Power Engineering and Science of Russia and the Russian Trade Union of Nuclear Power Engineering and Industry, and is also a party to the current Industry Agreement on the Nuclear Power, Industry and Science, which was signed by employees and employers with the participation of Rosatom State Corporation. The main purpose of the Agreement is to create the necessary labor and socioeconomic conditions for employees in the industry while taking into account the interests of employers and the government. The agreement governs issues concerning the health and safety of employees, occupational health and safety, social protection, sports and fitness and educational activity, among others.



Organization	Main goals and objectives
Power Engineering Committee of the Central Council Bureau at the Russian Engineering Union	Combining efforts by the engineering sector and related industries of Russia to improve the economic and defensive power of the country; supporting improvements of the mechanisms of regulatory, legal, administrative and market control over the engineering sector's activities to ensure efficient development and strengthening of the national power engineering and retaining the status of Russia as the global energy power
Energy Policy and Energy Efficiency Committee of the Russian Union of Industrialists and Entrepreneurs (RUIE)	Creating, with the help of the RUIE, legislative, public and political, and scientific and technical prerequisites for reorganization of the fuel and energy complex of Russia into a high-tech, financially stable branch of the economy dynamically developing based on world standards and bringing no impact to the environment and being the basis for the energy security of the Russian Federation in the global world

In addition, employees of the Company individually participate in various organizations. For example, S.M. Vasiliev, the Chief Specialist of the Group of Chief Engineer and Health and Safety Services, is a member of the working group "Health and safety" of the Industry Commission for Regulation of Social and Labor Relations at the Russian Trade Union of Nuclear Engineering and Industry.

GRI

4.15

During preparation of the Report, the Company, for the fourth year in a row, uses the GRI (Global Reporting Initiative) Manual. In addition, as part of stakeholder engagement, the Company uses the relevant Standard AA1000SES.

### 6.7.7. INTERNAL COMMUNICATIONS

OJSC Atomenergomash and SASC actively develop internal communications as part of creation of a unified communications system of the Division that includes:

- Provision of information to employees regarding the activities of the Division's enterprises;
- Development of internal communications and resources for employees (websites, corporate portals, internal mass media, information boards, etc.);
- Programs to boost the loyalty of personnel (corporate events, contests, etc.);
- Ensuring feedback from employees.

OJSC Atomenergomash has approved the following regulatory documents governing the activities in this area:

- Order "On the approval of the Regulation on the establishment and organization of the activities of communications divisions at the SASC of OJSC Atomenergomash";
- Order "On information planning";

- Order "On Approval of the Regulation on information exchange between OJSC Atomenergomash with its SASC in the sphere of mass and internal communications";
- Order "On the development and introduction of a corporate identity at the SASC of OJSC Atomenergomash";
- Order "On the organization of the conference and exhibition activities of OJSC Atomenergomash".

The main indicator for assessment of efficiency in the field of internal communications is "engagement of personnel".

OJSC Atomenergomash and the key SASC implement the following internal communications development projects.

#### 1. Corporate newspaper AEM Bulletin

As part of maintaining a common information space for the Division, starting from 2013, the monthly corporate publication AEM Bulletin is issued in 3 languages (Russian, Czech, Hungarian) in four countries: Russia (5300 printed copies), Ukraine (500 printed copies), Czech Republic (130 printed copies), Hungary (80 printed copies).

#### 2. Awareness Days

Following the traditional practice, Rosatom State Corporation regularly holds meetings of the Company's management with employees in the format of Awareness Days aimed at not only to convey important information about the Company to employees, but to organize a dialogue between personnel and management as well.

During the year, Awareness Days were held at 15 enterprises of the Division.



P. 93

AEM

7.6.1



1 AWARENESS DAYS IN 2013

### 3. Interactive information kiosks at enterprises of the Division

At the beginning of 2013, OJSC ZiO-Podolsk launched information kiosks (terminals) for personnel. The kiosks are designed to improve services for employees and to raise their awareness. Employees may, without leaving their workplaces, review their personal data, timesheet, may order a report, check the schedule of leaves or employee appraisal schedule. All reference information is freely available within the plant and covers social programs, regulatory acts, events at OJSC ZiO-Podolsk and OJSC ZIOMAR EC as well as key news of Rosatom State Corporation and OJSC Atomenergomash. Information kiosks contain electronic versions of printed corporate publications. One of the most popular sections of the kiosk is "Public reception", where everyone can leave a message, complaint or request, including addressing a question to the CEO. The information kiosk's sections usage statistics is tracked automatically.

In 2013, the kiosks were installed at the plants of Atomenergomash and OJSC PZM.

“ The launch of information kiosks is the divisional initiative. As we believe, it is very important from the Division's employee awareness and engagement point of view. The information kiosk is a very convenient format not only for informing employees, but for their communication as well, particularly, with the management of the Company ”

Ksenia Sukhotina,  
Deputy CEO — Director, Human Resources  
and Organizational Development

### 4. Corporate identity

In 2013, OJSC Atomenergomash actively implemented the project of corporate identity updating. The main objective of joining the enterprises under a unified identity is to increase recognizability of the Company as a single group and an integral part of Rosatom State Corporation.



The idea of unity of the Division's enterprises is implemented using information desks and boards, panels and signs, letterheads and badges. Restyled signs are installed on buildings of the enterprises and at production sites. These pretty simple implements create an atmosphere of a unified group of companies, regardless of their geographic locations.

“ By introducing a new corporate identity, we hope to significantly increase involvement of personnel not only in the in-house, but also in the divisional processes, programs and campaigns ”

Vladimir Tafrov,  
Head of Corporate Communications,  
OJSC ZiO-Podolsk and OJSC ZIOMAR EC

Another area of work on the implementation of the new corporate identity is focused on cooperation with business partners. The Division launches updated corporate websites using a unified corporate template. At exhibition boards, new-style souvenir printed items are distributed under the unified brand. The Company enters new highly competitive markets, where a strong recognizable brand helps achieve success. In the same manner, the unified visual communications are designed to help conduct a dialogue with the partners for joint solution of business tasks.



## 6.7.8. DESCRIPTION OF KEY STRATEGIC RISKS AND OPPORTUNITIES

No. <sup>1</sup>	Risk	Risk factors	Control measures/opportunities
2	Lack of funding	<ul style="list-style-type: none"> <li>● Deficiency of investment resources</li> <li>● Reduction of state funding</li> <li>● Settlement procedures providing for no advance payments</li> </ul>	<ul style="list-style-type: none"> <li>● Conversion to more flexible forms of nonorganic growth (alliances, licenses vs M&amp;A)</li> </ul>
4	Tightening of requirements for localization in foreign markets	<ul style="list-style-type: none"> <li>● Foreign customers' aspiration to support national industrial sector</li> </ul>	<ul style="list-style-type: none"> <li>● Localization of domestic equipment production at foreign sites through technology transfer/creation of joint ventures/acquisition of assets</li> </ul>
6	Lack of competitiveness of the current products and technologies	<ul style="list-style-type: none"> <li>● Loss of technological advantage</li> <li>● Increased cost of products due to appreciation of production factors</li> <li>● Stricter requirements to parameters of the power equipment</li> </ul>	<ul style="list-style-type: none"> <li>● Cooperation with major foreign equipment manufacturers, obtaining licenses for production of new types of equipment (boilers running on supercritical steam parameters, etc.)</li> </ul>
9	Political instability or deterioration of political relations between the Russian Federation and the countries of presence	<ul style="list-style-type: none"> <li>● Arab spring</li> <li>● European crisis</li> </ul>	<ul style="list-style-type: none"> <li>● To expand the geography of presence in foreign markets</li> <li>● Monitoring and forecasting the impact on business of significant geopolitical changes</li> <li>● Using resources of Rosatom State Corporation to address issues of strategic cooperation with key customers, including foreign ones</li> </ul>

<sup>1</sup> Hereinafter, means the position number in the Risk Map.